

Renewable Energy Certificate Purchase from Holy Cross Energy

Date of this Brief	December 1, 2010		
Supersedes	N/A		
Key Contacts		Phone	Short Title
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Council Action Required?	Yes	If YES, within the next 3 months?	Yes
Presenters (if applicable)	Robert W. Cromwell, Jr.		

Summary Statement

The City Light Department is requesting City Council approval of a purchase of renewable energy certificates (“RECs”) from a geothermal project in Idaho, beginning in 2011. The prices and timing make the purchase a low-cost option for both meeting our customers desire to participate in the “GreenUp” program and for partially complying with Washington state’s renewable portfolio standard. The Department is proposing to purchase 65,000 MWhs of RECs per year at a price that escalates over the term of the agreement from \$8 to \$17 per REC. The annual cost for I-937 compliance associated with this agreement is approximately \$1 million from 2015 to 2017.

Background

◆ I-937

In 2006, voters in Washington state passed Initiative 937 (“I-937”), also called the Energy Independence Act. The initiative sets targets for energy efficiency and acquisition of eligible renewable energy resources. I-937 requires that 3% of load be served with eligible resources by 2012, 9% of load served by 2016, and 15% of load served by 2020.

I-937 allows utilities to use eligible resources or RECs, or a combination of these, to meet the targets. Eligible resources provide energy, which City Light can use to serve its customer energy requirements or resell. REC purchases do not provide energy. Depending on City Light’s need for power and the relative price of eligible resources and RECs, REC-only purchases can be the most cost-effective means of complying with I-937.

In the summer of 2010 the Department presented a set of strategy options to the City Council’s Energy, Technology and Civil Rights Committee to assure the city’s compliance with I-937. Consistent with that strategy, and in conjunction with the concurrently submitted Master REC agreement, this proposed purchase of RECs from 2011 to 2017 is a cost-effective means of partially meeting the City’s need for RECs during that period of time.

◆ **GreenUp**

Green Up is Seattle City Light's voluntary green power program for residential and business customers. Green Up customers make voluntary payments on their electricity bill to cover the slightly higher cost of renewable energy. These funds are used to acquire Renewable Energy Credits (RECs) equal to the amount of customer demand, such as those proposed for acquisition under this REC purchase agreement.

◆ **Raft River I REC Purchase**

U.S. Geothermal develops geothermal power projects. Raft River I is the first part of a phased development in southern Idaho. The 18 MW project came on-line in 2008. Idaho Power purchases the electrical output and US Geothermal sells the RECs to Holy Cross Energy, a Colorado utility. Under the proposed agreement, City Light will buy approximately 65,000 Raft River I RECs annually from Holy Cross Energy for a 7-year period (2011 – 2017) for the City's Green Up program and to partially meet the City's I-937 targets during 2015 - 2017. City Light's Green Up program is entirely funded by the customers who chose to voluntarily participate. These customers will pay for the RECs from 2011 to 2014. From 2015 to 2017, City Light will dedicate these RECs to partially complying with the City's I-937 targets for those years.

This REC purchase assures our GreenUp customers of a continued supply of RECs for the next four years. This purchase is also the most cost-effective means of meeting part of the City's I-937 targets for the term of the proposed agreement, thereby decreasing the rate pressure on our customers for that period of time.

Key Issues

◆ **Effect on Ratepayers**

This REC purchase, in conjunction with the other REC purchase concurrently submitted to the City Council, increases retail revenue requirements 0.3% in 2015-2017 and approximately 0.1% in 2018 to 2029. Please note, there should be no impact to the retail revenue requirement from 2011 to 2014 since the GreenUp program is self-funded.

Next Steps

If City Council approval is received, execute the agreement thereafter.